

Message Text

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ACTION EUR-25

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CIAE-00 COME-00 EA-11 FRB-02 INR-10 IO-14 NEA-10

NSAE-00 OPIC-12 LAB-06 SIL-01 SWF-02 PA-04 PRS-01

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E.O. 11652: N/A

TAGS: EFIN, EC, SZ

SUBJECT: SWITZERLAND/EC INSURANCE DISCUSSIONS

REF: FLATIN (EUR/CE) LETTER FEBRUARY 28

1. LATE IN 1973 GOS HAD EXPLORATORY DISCUSSION WITH EC COMMISSION IN EFFORT DEFINE AND EXAMINE WHETHER EC/SWITZERLAND AGREEMENT ON RECIPROCAL NON-DISCRIMINATORY TREATMENT OF FINANCIAL GUARANTEES REQUIRED FROM NON-LIFE INSURANCE COMPANIES MIGHT BE FEASIBLE. DISCUSSION TOOK PLACE IN CONTEXT ARTICLE 29 OF JULY 1973 EC DIRECTIVE WHICH ALLOWS COMMUNITY ENTER INTO AGREEMENTS WITH THIRD COUNTRIES ON BASIS OF RECIPROCITY. SWISS CONCERN FOCUSES ON BRANCHES AND AGENCIES OF SWISS COMPANIES OPERATING IN EC MEMBER STATES WHICH UNDER DIRECTIVE MUST POST MORE RIGOROUS FINANCIAL GUARANTEES THAN ARE REQUIRED OF COMPANIES INCORPORATED WITHIN EC. (SEVERAL SWISS-OWNED COMPANIES ARE SO INCORPORATED IN VARIOUS EC MEMBER STATES AND THUS WOULD NOT BE AFFECTED BY ANY POSSIBLE AGREEMENT.)

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2. NEGOTIATIONS HAVE NOT BEGUN AND ARE NOT YET SCHEDULED. SWISS

UNDERSTAND THAT COMMISSION HAS SUBMITTED NEGOTIATING MANDATE TO EC COUNCIL BUT APPROVAL NOT YET RECEIVED. FOR THEIR PART, SWISS RECOGNIZE THAT SIGNIFICANT CHANGES IN THEIR SYSTEM OF FINANCIAL GUARANTEES FOR NON-LIFE INSURANCE COMPANIES WOULD BE REQUIRED BEFORE AGREEMENT COULD BE REACHED WITH EC. FOR EXAMPLE, NON-LIFE INSURANCE COMPANIES, INCLUDING AGENCIES AND BRANCHES, OPERATING IN SWITZERLAND MUST NOW POST SURETY WITH NATIONAL BANK, WHEREAS EC REQUIREMENTS ARE SUBSTANTIALLY DIFFERENT. SIMILAR DIFFERENCES ALSO AFFECT WORKING CAPITAL REQUIREMENTS.

3. DIVISION OF COMMERCE OFFICIAL, WHO WAS SOURCE OF FOREGOING, SAID THAT IF NEGOTIATIONS TAKE PLACE, THEY WOULD OFFER FIRST CHANCE TO MOVE TOWARD HARMONIZATION OF LAWS BETWEEN SWITZERLAND AND EC AND WERE THEREFORE OF SOME IMPORTANCE. HE SAID, HOWEVER, THAT MOST DIFFICULT NEGOTIATIONS WILL BE WITHIN SWITZERLAND IN DECIDING WHAT POSITION TO TAKE RE CHANGES IN SWISS SYSTEM WHEN AND IF NEGOTIATIONS WITH EC TAKE PLACE. DIVISION OF COMMERCE HAS ALREADY MADE SOME PROPOSALS TO FEDERAL INSURANCE OFFICE IN DEPARTMENT OF JUSTICE AND POLICE. POSSIBILITY EXISTS THAT PROPOSALS MAY BE SUBMITTED TO FEDERAL COUNCIL BEFORE SUMMER BUT EARLY COMMENCEMENT OF NEGOTIATIONS WITH EC IS NOT LIKELY.

4. EMBASSY BELIEVES THAT USEC AND/OR US REPRESENTATIVE ON OECD INSURANCE COMMITTEE MAY BE ABLE PROVIDE FURTHER INFO TO SUPPLEMENT FOREGOING.
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